

Digimarc Corporation
Consolidated Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

	Three-Month Information		Twelve-Month Information	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenue:				
Service	\$ 2,626	\$ 3,144	\$ 12,793	\$ 12,774
Subscription	2,201	1,487	8,125	6,041
License	492	596	2,069	2,377
Total revenue	<u>5,319</u>	<u>5,227</u>	<u>22,987</u>	<u>21,192</u>
Cost of revenue:				
Service	1,152	1,510	5,523	5,922
Subscription	471	437	1,840	1,907
License	176	154	673	597
Total cost of revenue	<u>1,799</u>	<u>2,101</u>	<u>8,036</u>	<u>8,426</u>
Gross profit:				
Service	1,474	1,634	7,270	6,852
Subscription	1,730	1,050	6,285	4,134
License	316	442	1,396	1,780
Total gross profit	<u>3,520</u>	<u>3,126</u>	<u>14,951</u>	<u>12,766</u>
Gross margin:				
Service	56%	52%	57%	54%
Subscription	79%	71%	77%	68%
License	64%	74%	67%	75%
Percentage of gross profit to total revenue	66%	60%	65%	60%
Operating expenses:				
Sales and marketing	4,999	4,755	19,875	19,140
Research, development and engineering	4,343	3,897	16,467	15,971
General and administrative	2,654	2,402	10,848	9,897
Intellectual property	399	334	1,492	1,282
Total operating expenses	<u>12,395</u>	<u>11,388</u>	<u>48,682</u>	<u>46,290</u>
Operating loss	<u>(8,875)</u>	<u>(8,262)</u>	<u>(33,731)</u>	<u>(33,524)</u>
Other income, net	<u>185</u>	<u>258</u>	<u>912</u>	<u>1,057</u>
Loss before income taxes	<u>(8,690)</u>	<u>(8,004)</u>	<u>(32,819)</u>	<u>(32,467)</u>
Benefit (provision) for income taxes	<u>7</u>	<u>(10)</u>	<u>(21)</u>	<u>(39)</u>
Net loss	<u>\$ (8,683)</u>	<u>\$ (8,014)</u>	<u>\$ (32,840)</u>	<u>\$ (32,506)</u>
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.73)	\$ (0.70)	\$ (2.79)	\$ (2.86)
Loss per common share - diluted	\$ (0.73)	\$ (0.70)	\$ (2.79)	\$ (2.86)
Weighted average common shares outstanding - basic	11,967	11,443	11,762	11,360
Weighted average common shares outstanding - diluted	11,967	11,443	11,762	11,360

Digimarc Corporation
Consolidated Balance Sheet Information
(in thousands)
(Unaudited)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 11,213	\$ 27,278
Marketable securities ⁽¹⁾	25,604	16,378
Trade accounts receivable, net	4,021	3,888
Other current assets	2,456	2,100
Total current assets	43,294	49,644
Property and equipment, net	3,650	3,955
Intangibles, net	6,670	6,649
Goodwill	1,114	1,114
Other assets	2,660	425
Total assets	\$ 57,388	\$ 61,787
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 2,272	\$ 1,092
Deferred revenue	3,172	3,226
Total current liabilities	5,444	4,318
Lease liability and other long-term liabilities	2,494	854
Total liabilities	7,938	5,172
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	12	12
Additional paid-in capital	188,103	162,428
Accumulated deficit	(138,715)	(105,875)
Total shareholders' equity	49,450	56,615
Total liabilities and shareholders' equity	\$ 57,388	\$ 61,787

(1) Aggregate cash, cash equivalents, short-term marketable securities was \$36,817 and \$43,656 at December 31, 2019 and 2018, respectively.

Digimarc Corporation
Consolidated Cash Flow Information
(in thousands)
(Unaudited)

	Twelve-Month Information	
	December 31, 2019	December 31, 2018
Cash flows from operating activities:		
Net loss	\$ (32,840)	\$ (32,506)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	1,449	1,554
Amortization and write-off of intangibles	758	589
Stock-based compensation	8,214	7,298
Changes in operating assets and liabilities:		
Trade accounts receivable	(133)	2,516
Other current assets	(356)	92
Other assets	474	(57)
Accounts payable and other accrued liabilities	702	(744)
Deferred revenue	(41)	182
Lease liability and other long-term liabilities	(639)	(134)
Net cash used in operating activities	(22,412)	(21,210)
Cash flows from investing activities:		
Purchase of property and equipment	(1,055)	(1,292)
Capitalized patent costs	(659)	(747)
Maturity of marketable securities	42,084	34,558
Purchase of marketable securities	(51,310)	(24,021)
Net cash provided by (used in) investing activities	(10,940)	8,498
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	19,615	—
Exercise of stock options	1,178	1,256
Purchase of common stock	(3,506)	(2,089)
Net cash provided by (used in) financing activities	17,287	(833)
Net decrease in cash and cash equivalents ⁽²⁾	\$ (16,065)	\$ (13,545)
Cash, cash equivalents and marketable securities at beginning of period	43,656	67,738
Cash, cash equivalents and marketable securities at end of period	36,817	43,656
(2) Net decrease in cash, cash equivalents and marketable securities	\$ (6,839)	\$ (24,082)